

# FISCAL NOTE

**Bill #:** SB0127

**Title:** Increase deduction for contributions to Family Education Savings Plan

**Primary Sponsor:** Bohlinger, J

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
-------------------	------	---------------------------------	------

## Fiscal Summary

	<b><u>FY 2004 Difference</u></b>	<b><u>FY 2005 Difference</u></b>
<b>Revenue:</b>		
General Fund	\$0	(\$188,700)
<b>Net Impact on General Fund Balance:</b>	\$0	(\$188,700)

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns                       |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2             |

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill increases the maximum amount that can be excluded from income for individual income tax purposes for contributions to family education savings accounts from \$3,000 to \$5,000. This increase applies to tax years beginning after December 31, 2003 (TY2004); there is no impact in fiscal year 2004.
2. This change will impact only those taxpayers who under current law are taking the current law maximum exclusion of \$3,000; it will not impact taxpayers who under current law would take exclusions of less than \$3,000.
3. The average marginal tax rate for those taxpayers currently taking the current law maximum exclusion is 8.5% (from DOR analysis of TY2001 income tax returns of filers taking the current law maximum exclusion).
4. The following table shows the actual and forecast number of returns using the family education savings account exclusion, the total and average amount excluded, and the number and percentage of tax returns that take the maximum exclusion of \$3,000 under current law. The number of tax returns using this exclusion will grow by 30% in tax year 2002; by 20% in tax year 2003; by 15% in tax year 2004; and by 10% in subsequent tax years.
5. In tax years 2000 and 2001, 46% of all tax returns using this exclusion took the maximum exclusion of \$3,000. It is assumed that 46% of all tax returns using this exclusion would take the maximum exclusion of \$3,000 under current law. Under this bill, these taxpayers will all take the proposed maximum exclusion of \$5,000.

**Fiscal Note Request SB0127, As Introduced**

(continued)

6. For tax year 2004 (fiscal year 2005), a total of 1,110 taxpayers who would have taken the \$3,000 exclusion will take the \$5,000 exclusion. This results in an estimated reduction in general fund revenue in fiscal year 2005 of \$188,700 ( $1,110 \times \$2,000 \times 8.5\% = \$188,700$ ).
7. There are no added administrative expenses associated with this bill.

Family Education Savings Account Exclusion Historic and Forecast Usage - Current Law							
	Year	# of Returns	Growth Rate	Amount Excluded	Average Exclusion	# of Returns w/Max Exclusion	% of Returns w/Max Exclusion
A	1996	0		0	\$0	0	0
A	1997	73		33,423	\$458	Unk.	Unk.
A	1998	456	525%	1,209,572	\$2,653	243	53%
A	1999	717	57%	1,814,909	\$2,531	342	48%
A	2000	876	22%	2,118,416	\$2,418	403	46%
A	2001	1,345	54%	3,415,825	\$2,540	622	46%
F	2002	1,749	30%	4,371,250	\$2,500	804	46%
F	2003	2,098	20%	5,245,500	\$2,500	965	46%
F	2004	2,413	15%	6,032,325	\$2,500	1,110	46%
F	2005	2,654	10%	6,635,558	\$2,500	1,221	46%
F	2006	2,920	10%	7,299,113	\$2,500	1,343	46%

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

General fund revenues will be reduced below current law levels in all future years as a result of the increase in the amount that can be excluded for contributions to education savings accounts. The impact for the 2007 biennium is estimated to be \$(436,000).